
GREEN BUSINESS STRATEGY FOR THE PROCESSED SEAWEED MSMEs (CASE STUDY AT TARAKAN CITY COASTAL)

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Abstract: The issue of green business is a small part of a big issue that actually has hit the headlines of economic growth in the future, namely the sustainability of the business. The MSME (Micro, Small and Medium Enterprises) sector has an important role to make it happen. The development of MSMEs is one of the efforts in the development of potential coastal communities. Micro Small and Medium Enterprises (MSMEs) activities have an important role in realizing the sustainability business issue. The object of this research is to analyze strategic planning in developing sustainable MSMEs through financial analysis and SWOT analysis. The feasibility analysis analyzed using cost-benefit analysis (CBA). CBA consist of Net Present Value (NPV), Internal Rate Return (IRR) and Benefit Cost Ratio (BCR). The results show that this business is feasible and profitable, NPV is Idr.133,813,050, IRR value equal to 2.417, or bigger than prevailing bank interest is 13%, Net B/C Ratio of 3.29, BEP of 38 packs per month and PBP of 4 months. The right development strategy used by processing seaweed MSMEs is a rapid strategy by utilizing the existing strengths and opportunities. Strategies that can be done is increasing cooperation between business actors and product diversification.

Keywords: Competitiveness, Financial Strategy, Coastal Communities, MSMEs.

INTRODUCTION

Empowerment of coastal communities is one of new trends in the development paradigm in Indonesia after a long time the sea and coastal areas have become neglected and forgotten regions in the Indonesia development program. Coastal communities are known for their unique characteristics and high diversity potential natural and non-biological natural resources. The potential of the existing resources can be utilized by residents living in the area to gain welfare from both the fishery and other sectors. But ironically, there are 34.14% of the 16.42 million people of coastal communities lived lower the poverty line with the income indicator of US \$ 1 per day (PMP Directorate, 2006).

The development of MSMEs is one of the efforts to develop the coastal communities. The Micro Small and Medium Enterprises (MSMEs) have a big role for national economic development and employment MSMEs also play a role in distribution of development results and are the driving force of national economic activity growth. In the development of the Micro, Small and Medium Enterprises (MSMEs) sector, it gives its own meaning in the efforts of reducing poverty. However, MSMEs have not received special attention in development (Singh et al, 2008). In addition, some empirical studies proved that the advantage of added value is not taken by MSMEs. Instead a conglomerate scale company

with a workforce of more than 1000 people got the advantage of the added value by an absolute increase and per company average (Kuncoro and Abimanyu, 1995).

The weakness of MSMEs is that most MSMEs arrange their funding with disorganized decisions, implementing intensive strategies, and also their long market life is low (Salazar et al, 2012). On one hand, environmental issues on MSMEs become a sensitive issue which occurs as the result of the company's activities. Many have caused environmental damage in the form of water pollution, deforestation, and others that harm society. On the other hand MSMEs find it difficult to apply green business on their business because of the expensive cost and the unexpected profit. Although a proactive strategic focus to the environment can help mitigate the environmental risks for businesses (Nulkar, 2014). For SMEs, environmental friendly work environment is very helpful in increasing market share. SMEs will be able to seize the large corporate market if they are consistent with the environmental friendly concept (syafri et al, 2021).

Green business becomes an interesting topic to be examined recently. The issues of environmental damage, air pollution, flooding, the difficulty of clean water, the number of children's snacks containing synthetic dyes have awakened and encouraged people to understand

the importance of healthy living, the need of environmental friendly products and services (Newton & Harte, 1997). Green Business is business activities that produce products from inputs (raw materials and auxiliary materials) into outputs (goods and services) by prioritizing balance and synergizing the economic, social and environmental benefits (Mutamimah, 2011, in Mutamimah and Siyatimah, 2012). Green business focused on social, economic, and technical innovation is the mainstay of green growth and global adaptation to climate change (Ma, Y et al, 2020). Green strategy in business to overcome global environmental problems. More and more businesses are considering and implementing green strategies compared to the last few decades (Hasan et al, 2019). Additionally, to adapting the existing business model, corporations can implement new technologies such as artificial intelligence into their business operations with the target to improve the business processes and reduce the ecological footprint whilst capturing the economic value in a life-cycle perspective (Weiss, 2019)

This study was conducted to determine the feasibility and the green business development strategy for the processed seaweed enterprises in this case the micro, small and medium enterprises (MSMEs) in Tarakan City. Existing research has indicated that employees' green innovation activities can be significantly stimulated by contexts, especially by green-oriented factors (Chaudhary, 2020)

The results of Darwanto's (2013) empirical study about the MSMEs development of processed seaweed based on innovation and creativity showed that the competitive advantage based on innovation and creativity should be prioritized because it has a longer durability and a longer period of time. MSMEs' issues related to productivity include the lack of copyright protection for innovation and creativity. The step that can be done is appreciation by granting patent rights to innovative MSMEs. This will encourage further creations and produce products with features and designs that attract consumers. Beside the strategy of protecting copyright, improving quality and maintaining product prices strategies are considered as most attractive implemented strategies for MSMEs (Musthofa, 2014).

Another empirical study stated that the relationship between business strategy and organizational performance is the important factor for MSMEs. A findings conducted by Pushpakumari and Watanabe (2009) showed the difference of MSMEs' performance and orientation between two countries, Sri Lanka and Japan. The results showed that MSMEs' performances vary according to the choice of strategies adopted by enterprise owners in those countries. Therefore, the green motives build a very strong foundation for the implementation of the green business strategies. Green business strategies refer to the strategies in which a company shows interest in the safety and protection of the environment (Yousaf, Z et al, 2021).

Utomo and Pratiwi (2016) stated that businessmen of the Small and Medium Enterprises (MSMEs) in Tarakan City were considered implementing green business. The magnitude of the Financial Performance of MSMEs has positive and significant effects to the Green Output, Green Marketing, and Level of Public Awareness. Whereas the Green Input, Green Process and Government Regulation have negative but insignificant effects. Even though, this has not shown a specific business category.

MATERIALS AND METHODS

The business feasibility test was used to determine whether the green business implemented by the processed seaweed MSMEs are profitable and can be developed. By considering, the seaweed waste is very disturbing to the surrounding ecosystem. The feasibility analysis uses all components of costs and benefits for 6 years.

SWOT analysis is used on this study. It is a strategic planning method used to evaluate the Strengths, Weaknesses/Limitations, Opportunities, and Threats involved in seaweed processing with green business approach in Tarakan City Coastal. It involves specifying the objective of the project and identifying the internal and external factors that are favorable and unfavorable to achieve that objective. The technique is credited to Albert Humphrey, who led a convention at Stanford University in the 1960s and 1970s using data from Fortune 500 companies (Humphrey, 1987).

Setting the objective should be done after the SWOT analysis has been performed. This would allow achievable goals or objectives to be set for the organization.

- a. Strengths: characteristics of the business, or project team that give it an advantage over others
- b. Weaknesses (or Limitations): are characteristics that place the team at a disadvantage relative to others
- c. Opportunities: *external* chances to improve performance (e.g. make greater profits) in the environment
- d. Threats: *external* elements in the environment that could cause trouble for the business or project

Identification of SWOTs is essential because subsequent steps in the process of planning for achievement of the selected objective may be derived from the SWOTs. First, the decision makers have to determine whether the objective is attainable, given the SWOTs.

SWOT matrix for strategy plan gives the sharp explanation how the organization maximizes the strength and opportunities, and minimizes the weakness and threats. This matrix shows four possible alternative strategies: 1) Strengths-Opportunities, 2) Weaknesses-Opportunities, 3) Strengths-Threats, and 4) Weaknesses-Threats.

RESULTS AND DISCUSSION

Ar-Raihan is the first enterprise of MSMEs producing processed food made from seaweed in Tarakan City. Until now Ar-Raihan has had several fostered partners for the processed seaweed

enterprises. The locations are spread in the coastal area in Tarakan City. They get raw materials from farmers in those areas. There is almost no waste from the processed seaweed. It was because the seaweed that cannot be processed into food because of waste or being damaged will be reprocessed into biogas. This biogas is re-used as fuel by seaweed farmers. So the processed seaweed MSMEs in Tarakan City are considered as green businesses.

The processed seaweed products are dodol, nuggets, brownish cake, pilus, chocolate jelly, ice cream, and seaweed ekado. The processed seaweed MSMEs are continuously developing the type of processed seaweed products. Recently they have developed processed rujak and syrup seaweed. The businessmen have had business licenses and halal certificates. At present they focus on increasing production.

Business Feasibility with Internal and External Costs Assumption

The business feasibility analysis was carried out using the net present value (NPV) approach, benefit cost ratio (BCR) and internal rate of return (IRR) (Umar, 2009; Husnan and Suharsono, 2008). The

assumption of fund sources in conducting a feasibility analysis can be from internal and external funds (Kerzner, 2003). The source of internal fund was obtained from personal or corporate funds by monitoring the interest rate on bank deposits. At present the bank deposit interest rate is between 7.5% and 7.75% per year (BI, 2014; OJK, 2014). This means that personal funds will grow by 7.5% to 7.75% per year if deposited in a bank.

This feasibility analysis for the green business of the processed seaweed MSMEs will test whether personal funds are more profitable if deposited in a bank or if used for business investment in the green business of the processed seaweed MSMEs. The interest rate on bank loans at 12% per year (BI, 2014; OJK, 2014) means that loan funds from banks will be charged interest at 12% per year. The feasibility analysis for the green business of the processed seaweed MSMEs will test whether the loan funds from the bank can grow beyond the loan interest if the loan funds are used to fund this business. The results of calculation of business feasibility analysis using NPV, BCR and IRR with the assumption of internal and external funds are shown in table 1.

Table 1.

Feasibility analysis for the green business of the processed seaweed MSMEs

Interest Rate	NPV	BCR	IRR
Assumption from Internal Fund			
7,50%	127.738.008	2,94	2,059
7,75%	128.070.195	2,96	2,078
Assumption from External Fund			
12%	133.813.050	3,29	2,417

These indicators state that $NPV \geq 0$, $BCR \geq 1$ and $IRR \geq$ are social discount rates, showing that by the internal and external interest rates, the green business of the processed seaweed MSMEs is feasible. Based on the results of the calculation of the business feasibility analysis it can be seen to what extent the success achieved during the business run. The businessmen can determine actions to improve or increase profits for their business. In order to obtain large profits, the actions that can be done are reducing production costs or increasing selling prices (Rahmawati, Pratiwi, Devi, & Nainggolan, 2022). The sustainability of the green business of the processed seaweed MSMEs is determined by the financial estimation of the MSMEs, because the ability of a MSME to develop a measured capital in investment parameters, i.e. the ability to increase the initial capital more than the bank interest and the profits of the coming years (Utomo, Rita, Pratiwi, & Puspitasari, 2022). In short, an enterprise can be survived if the benefits obtained are greater than the costs incurred where all of them must be considered financially feasible (Kerzner, 2003).

Development Strategy for the green business of the processed seaweed MSMEs

The following are the results of the SWOT analysis of the green business of the processed seaweed MSMEs:

1. Strength

- Easy to obtain raw material makes it easy in the production process so can fulfill the market demand.

- Having a product variation that can prevent competitors to develop.
- Products not using preservative material, so they are safe for consumption.
- The easy production process and does not require a long time are convenient for the business to accept market product requests in large amount.
- The attractive and economical packaging becomes a selling point and increases people's purchasing power.
- Green business in production process, reducing waste so become the value of business prestige.

2. Weakness

- Simple production tools slow the production process.
- Traditional management. The management still uses traditional management because the owners and workers are the relatives.
- There are no regular workers causing the production products lesser.
- The marketing of the products is still in the Tarakan area.

3. Opportunities

- Promising market prospects. The product sales have spread in the Tarakan area from kiosk to supermarkets and out of the Tarakan area.
- Having government cooperation and support. The existence of government cooperation is convenient to get the licensing certificate and infrastructure facilities,

and facilitates the development of MSMEs and products.

- Technological and information development. The development of modern technology helps the MSMEs to accelerate the production and marketing because using social media.
- Green business production process, its waste treatment process increases revenue.

4. Threat

- New competitors with other processed products.
- The various appearances of snacks. Along with the development of times, there are growing varieties of snacks that will be the competitors of products and a threat to MSME products.
- No regular labors become a threat for the development of the processed seaweed MSMEs products.

Business Strategy Position

The strategy position of the green business of the processed seaweed MSMEs is the SO strategy, which is an aggressive or developing strategy. That includes the strength and opportunity conditions being in a good position (SO Strategy). The followings are some suggestion that can be applied by the MSME to develop the business:

- a. The processed seaweed MSMEs products were attractive, economical and various. This is a potential that can be developed continuously,

- b. The easy to get of the raw materials makes it possibly producing in large quantities

CONCLUSIONS

The results of the financial feasibility analysis of the processed seaweed MSMEs showed that this business type is feasible and beneficial because it provides a positive NPV value, which is Rp 133,813,050, the IRR value is 2,417 and the Net B/C Ratio value is 3,29.

The position of the processed seaweed MSMEs implementing green business concept is in the Quadrant I position which is supporting the growth of aggressive strategies. The strategy that must be applied is a growth oriented strategy (Growth Oriented Strategy). The growth strategy (Growth Strategy) is designed to achieve growth, whether it was the sales, assets, profits or the combination of the three. Those can be achieved by doing the competing prices, developing new products, increasing product quality or increasing access to a wider market. Another effort that can be done is to minimize costs (minimize costs) so that the profits can be increase.

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